

FIRST HORIZON ASSET SECURITIES INC.

Depositor

FIRST HORIZON HOME LOAN CORPORATION

Master Servicer

and

THE BANK OF NEW YORK,

Trustee

POOLING AND SERVICING AGREEMENT

Dated as of May 1, 2006

FIRST HORIZON ALTERNATIVE MORTGAGE SECURITIES TRUST 2006-AA3

MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2006-AA3

TABLE OF CONTENTS

ARTICLE I DEFINITIONS	4
ARTICLE II CONVEYANCE OF MORTGAGE LOANS; REPRESENTATIONS AND WARRANTIES	33
SECTION 2.1 Conveyance of Mortgage Loans.....	33
SECTION 2.2 Acceptance by Trustee of the Mortgage Loans.....	37
SECTION 2.3 Representations and Warranties of the Master Servicer; Covenants of the Seller.....	39
SECTION 2.4 Representations and Warranties of the Depositor as to the Mortgage Loans....	41
SECTION 2.5 Delivery of Opinion of Counsel in Connection with Substitutions.....	42
SECTION 2.6 Execution and Delivery of Certificates.....	42
SECTION 2.7 REMIC Matters.....	43
SECTION 2.8 Covenants of the Master Servicer.....	43
ARTICLE III ADMINISTRATION AND SERVICING OF MORTGAGE LOANS.....	43
SECTION 3.1 Master Servicer to Service Mortgage Loans.....	43
SECTION 3.2 Subservicing; Enforcement of the Obligations of Servicers.....	44
SECTION 3.3 Rights of the Depositor and the Trustee in Respect of the Master Servicer.....	45
SECTION 3.4 Trustee to Act as Master Servicer.....	45
SECTION 3.5 Collection of Mortgage Loan Payments; Certificate Account; Distribution Account.....	46
SECTION 3.6 Collection of Taxes, Assessments and Similar Items; Escrow Accounts.....	49
SECTION 3.7 Access to Certain Documentation and Information Regarding the Mortgage Loans.....	49
SECTION 3.8 Permitted Withdrawals from the Certificate Account and Distribution Account.....	50
SECTION 3.9 Maintenance of Hazard Insurance; Maintenance of Primary Insurance Policies.....	51
SECTION 3.10 Enforcement of Due-on-Sale Clauses; Assumption Agreements.....	53
SECTION 3.11 Realization Upon Defaulted Mortgage Loans; Repurchase of Certain Mortgage Loans.....	54
SECTION 3.12 Trustee to Cooperate; Release of Mortgage Files.....	57
SECTION 3.13 Documents Records and Funds in Possession of Master Servicer to be Held for the Trustee.....	57
SECTION 3.14 Master Servicing Compensation.....	58
SECTION 3.15 Access to Certain Documentation.....	58
SECTION 3.16 Annual Statement as to Compliance.....	59
SECTION 3.17 Errors and Omissions Insurance; Fidelity Bonds.....	59
SECTION 3.18 Notification of Adjustments.....	59
ARTICLE IV DISTRIBUTIONS AND ADVANCES BY THE MASTER SERVICER.....	60
SECTION 4.1 Advances.....	60
SECTION 4.2 Priorities of Distribution.....	60
SECTION 4.3 Method of Distribution.....	63

SECTION 4.4	Allocation of Losses	64
SECTION 4.5	[RESERVED]	65
SECTION 4.6	Monthly Statements to Certificateholders.....	65
ARTICLE V THE CERTIFICATES		67
SECTION 5.1	The Certificates.....	67
SECTION 5.2	Certificate Register; Registration of Transfer and Exchange of Certificates.	68
SECTION 5.3	Mutilated, Destroyed, Lost or Stolen Certificates.....	74
SECTION 5.4	Persons Deemed Owners.....	74
SECTION 5.5	Access to List of Certificateholders' Names and Addresses.....	75
SECTION 5.6	Maintenance of Office or Agency.....	75
ARTICLE VI THE DEPOSITOR AND THE MASTER SERVICER		75
SECTION 6.1	Respective Liabilities of the Depositor and the Master Servicer.....	75
SECTION 6.2	Merger or Consolidation of the Depositor or the Master Servicer.....	75
SECTION 6.3	Limitation on Liability of the Depositor, the Master Servicer and Others....	76
SECTION 6.4	Limitation on Resignation of Master Servicer.....	76
ARTICLE VII DEFAULT.....		77
SECTION 7.1	Events of Default.....	77
SECTION 7.2	Trustee to Act; Appointment of Successor.....	79
SECTION 7.3	Notification to Certificateholders.....	80
ARTICLE VIII CONCERNING THE TRUSTEE		81
SECTION 8.1	Duties of Trustee.....	81
SECTION 8.2	Certain Matters Affecting the Trustee.....	82
SECTION 8.3	Trustee Not Liable for Certificates or Mortgage Loans.....	84
SECTION 8.4	Trustee May Own Certificates.....	84
SECTION 8.5	Trustee's Fees and Expenses.....	84
SECTION 8.6	Eligibility Requirements for Trustee.....	85
SECTION 8.7	Resignation and Removal of Trustee.....	85
SECTION 8.8	Successor Trustee.....	86
SECTION 8.9	Merger or Consolidation of Trustee.....	87
SECTION 8.10	Appointment of Co-Trustee or Separate Trustee.....	87
SECTION 8.11	Tax Matters.....	89
ARTICLE IX TERMINATION		91
SECTION 9.1	Termination upon Liquidation or Purchase of all Mortgage Loans.....	91
SECTION 9.2	Final Distribution on the Certificates.....	91
SECTION 9.3	Additional Termination Requirements.....	92
ARTICLE X EXCHANGE ACT REPORTING		93
SECTION 10.1	Filing Obligations.....	93
SECTION 10.2	Form 10-D Filings.....	93
SECTION 10.3	Form 8-K Filings.....	94
SECTION 10.4	Form 10-K Filings.....	95

SECTION 10.5	Sarbanes-Oxley Certification.....	95
SECTION 10.6	Form 15 Filing	96
SECTION 10.7	Report on Assessment of Compliance and Attestation.....	96
SECTION 10.8	Use of Subservicers and Subcontractors.....	97
SECTION 10.9	Amendments	98
ARTICLE XI MISCELLANEOUS PROVISIONS		99
SECTION 11.1	Amendment.....	99
SECTION 11.2	Recordation of Agreement; Counterparts	100
SECTION 11.3	Governing Law	100
SECTION 11.4	Intention of Parties.....	101
SECTION 11.5	Notices	101
SECTION 11.6	Severability of Provisions.....	102
SECTION 11.7	Assignment	102
SECTION 11.8	Limitation on Rights of Certificateholders	102
SECTION 11.9	Inspection and Audit Rights	103
SECTION 11.10	Certificates Nonassessable and Fully Paid	104
SECTION 11.11	Limitations on Actions; No Proceedings	104
SECTION 11.12	Acknowledgment of Seller	104

SCHEMES

Schedule I:	Mortgage Loan Schedule	S-I-1
Schedule II:	Representations and Warranties of the Master Servicer	S-II-1
Schedule III:	Form of Monthly Master Servicer Report	S-III-1

EXHIBITS

Exhibit A:	Form of Senior Certificate	A-1
Exhibit B:	Form of Subordinated Certificate	B-1
Exhibit C:	Form of Residual Certificate	C-1
Exhibit D:	Form of Reverse of Certificates	D-1
Exhibit E:	Form of Initial Certification	E-1
Exhibit F:	Form of Delay Delivery Certification	F-1
Exhibit G:	Form of Subsequent Certification of Custodian	G-1
Exhibit H:	Transfer Affidavit	H-1
Exhibit I:	Form of Transferor Certificate	I-1
Exhibit J:	Form of Investment Letter [Non-Rule 144A]	J-1
Exhibit K:	Form of Rule 144A Letter	K-1
Exhibit L:	Request for Release (for Trustee)	L-1
Exhibit M:	Request for Release (Mortgage Loan)	M-1
Exhibit N-1:	Form of Annual Certification (Subservicer)	N-1-1
Exhibit N-2:	Form of Annual Certification (Trustee)	N-2-1
Exhibit O:	Form of Servicing Criteria to be Addressed in Assessment of Compliance	O-1
Exhibit P:	List of Item 1119 Parties	P-1
Exhibit Q:	Form of Sarbanes-Oxley Certification	Q-1